

184459
184460
COPY
WILLOUGHBY & HOEFER, P.A.

ATTORNEYS & COUNSELORS AT LAW

930 RICHLAND STREET

P.O. BOX 8416

COLUMBIA, SOUTH CAROLINA 29202-8416

Filed: led

Dept: S.A.

Date: 2/13/07

Time: 10:15

AREA CODE 803
TELEPHONE 252-3300
TELECOPIER 256-8062

MITCHELL M. WILLOUGHBY
JOHN M.S. HOEFER
ELIZABETH ZECK*
RANDOLPH R. LOWELL
K. CHAD BURGESS
NOAH M. HICKS II**
BENJAMIN P. MUSTIAN
M. McMULLEN TAYLOR

*ALSO ADMITTED IN TX
**ALSO ADMITTED IN VA

February 12, 2007

RECEIVED

FEB 12 2007

PSC SC
DOCKETING DEPT.

SC
COMMERCE

TRACEY C. GREEN
SPECIAL COUNSEL

FEB 12 PM 3:29

VIA HAND DELIVERY

The Honorable Charles L.A. Terreni
Chief Clerk / Administrator
Public Service Commission of South Carolina
Synergy Business Park, Saluda Building
101 Executive Center Drive
Columbia, SC 29210

RE: Proceeding to Review the Gas Supply Agreement Between
South Carolina Electric & Gas and SCANA Energy Marketing, Inc.;
Docket No. 2004-126-E

Dear Mr. Terreni:

Approval of Gas Supply Agreement

This docket began on or about April 29, 2004 when the Public Service Commission of South Carolina ("Commission") established Docket No. 2004-126-E to review the Gas Supply Agreement between South Carolina Electric & Gas Company ("SCE&G") and SCANA Energy Marketing Inc. ("SEMI"). In addition to SCE&G, the following were parties in the proceeding:

1. The South Carolina Department of Consumer Affairs ("Consumer Advocate");
2. Columbia Energy, LLC ("Columbia Energy"); and
3. South Carolina Energy Users Committee ("SCEUC").

(continued ...)

In April 2005 Columbia Energy, through counsel, requested leave to withdraw its intervention in this docket. Without objection, the Commission approved Columbia Energy's request to withdraw its intervention in Order No. 2005-209 issued on April 22, 2005.

By letter dated August 28, 2006 SCEUC stated that it would "offer no objection to the approval of the Gas Supply Agreement by the Public Service Commission."

Under the provisions of 2004 S.C. Act No. 175, the newly created Office of Regulatory Staff was statutorily substituted for the Consumer Advocate in the above-captioned proceeding on January 1, 2005. By letter dated September 6, 2006 ORS stated that it "has no objection to approval of the Gas Supply Agreement between SCE&G and SEMI."

Inasmuch as all parties of record have either withdrawn from the docket or have stated no objection to approval of the Gas Supply Agreement between SCE&G and SEMI, SCE&G hereby respectfully requests that the Commission issue an order approving the agreement.

Request for Protective Order

In response to certain discovery requests propounded in this docket, SCE&G provided unredacted versions of the Gas Supply Agreement to the Commission Staff. This agreement contains information in the nature of trade secrets and/or very sensitive, proprietary and commercially valuable information, the disclosure of which has the potential to harm SCE&G's business and practices and could, therefore, damage SCE&G's competitive standing. SCE&G therefore respectfully requests that the Commission find that the Gas Supply Agreement contains protected information and issue a protective order barring the disclosure of this agreement, except in redacted form. To this end we enclose with this letter a redacted version of the Gas Supply Agreement that protects from disclosure the sensitive, proprietary and commercially valuable information, while making available for public viewing non-protected information.

Finally, during the discovery phase of this docket and pursuant to the terms of a Confidentiality Agreement between the Commission Staff and SCE&G dated May 7, 2004, SCE&G provided the Commission Staff with an unredacted copy of an agreement between SEMI and BG LNG Services, LLC. This agreement is highly confidential and commercially sensitive, a non-regulated agreement and not the subject of this docket. Consequently, we hereby request that the agreement between SEMI and BG LNG Services, LLC be returned to us without copies being maintained in the Commission's files.

In furtherance of these requests and in an effort to provide assistance to the Commission, I am enclosing a proposed order for the Commission's consideration. SCE&G believes this order fully addresses the issues outstanding in this docket.

The Honorable Charles L.A. Terreni
February 12, 2007
Page 3 of 3

If you have any questions, or require additional information, please do not hesitate to contact us. With best regards, I am,

Respectfully,

WILLOUGHBY & HOEFER, P.A.

A handwritten signature in black ink that reads "Mitchell Willoughby". The signature is written in a cursive style with a large, stylized 'M' and 'W'.

Mitchell Willoughby

MW/cgc
enclosure

cc: Scott A. Elliott, Esquire (w/enclosure)
Shannon Bowyer Hudson, Esquire (w/enclosure)
Catherine D. Taylor, Esquire (w/enclosure)

2004 FEB 12 PM 3:07
SOUTH CAROLINA ELECTRIC & GAS COMPANY

GAS SUPPLY AGREEMENT

between

SOUTH CAROLINA ELECTRIC & GAS COMPANY, as Buyer

and

SCANA ENERGY MARKETING, INC., as Seller

dated as of

April 2, 2004

RECEIVED

APR 12 2004

CORPORATE RECORDS

CONFIDENTIAL

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	1
1.1 General	1
1.2 Definitions	1
ARTICLE II TERM	3
2.1 Term	3
ARTICLE III RESERVATION FEE FOR FIRM GAS	3
3.1 Reservation Fee for Firm Gas	3
ARTICLE IV PURCHASE AND SALE OF GAS	4
4.1 Quantities	4
4.2 Nominations	4
4.3 Daily Receipt Variations	5
4.4 Imbalance Charges	5
4.5 Transport to Delivery Point(s)	5
4.6 Pressure and Flow Rate	5
4.7 SEMI's Failure to Deliver	5
4.8 SCE&G's Failure to Receive	5
4.9 Taxes	6
ARTICLE V DELIVERY POINT(S); TITLE AND RESPONSIBILITY	6
5.1 Delivery Point(s)	6
5.2 Possession of Gas	6
5.3 Measurement	6
5.4 Quality	6
5.5 Title and Risk of Loss	7
5.6 Warranty	7
5.7 SEMI's Indemnities	7
5.8 SCE&G's Indemnities	7
ARTICLE VI PRICE	7
6.1 Baseload Price	7
6.2 Daily Incremental Volume Price	7
6.3 Intra-Day Incremental Volume Price	8
6.4 Variable Transportation Costs	8
6.5 Gas Scheduled in Excess of Baseload Quantity	8
6.6 Gas Delivered to Aiken	8
6.7 Establishing Alternative Index or Publication	8
ARTICLE VII GAS COST MITIGATION	8
7.1 Nominated Gas Cost Mitigation	8
7.2 Firm Gas Reservation Fee Mitigation	9
7.3 Price Mitigation Hold Harmless	9

CONFIDENTIAL

REDACTED

ARTICLE VIII INVOICES AND PAYMENTS	9
8.1 Invoices	9
8.2 Correction of Billing Errors	9
8.3 Records	9
8.4 Payment on Business Days	9
8.5 Netting of Payments	10
ARTICLE IX FORCE MAJEURE	9
9.1 Excused Performance	10
9.2 Notice of Event	10
9.3 Definitions	10
9.4 Exclusions	10
9.5 Force Majeure Limitation	11
9.6	11
ARTICLE X NOTICES	11
10.1 Notices	11
ARTICLE XI MISCELLANEOUS	12
11.1 Regulatory Authorization	12
11.2 Assignments	12
11.3 Severability	13
11.4 No Waiver	13
11.5 Complete Agreement; Amendment	13
11.6 Choice of Law	13
11.7 NO CONSEQUENTIAL DAMAGES	13
11.8 Confidentiality	13
11.9 No Third Party Beneficiaries	14
11.10 Captions	14
11.11 Counterparts	14

EXHIBIT A DIV NOMINATION CONFIRMATION

EXHIBIT B PRESSURE AND FLOW RATE SPECIFICATIONS

CONFIDENTIAL

GAS SUPPLY AGREEMENT

THIS GAS SUPPLY AGREEMENT ("Agreement") is made and entered into as of the 2nd day of April, 2004 (the "Effective Date"), by and between SOUTH CAROLINA ELECTRIC & GAS COMPANY, a South Carolina corporation ("SCE&G" or "Buyer") and SCANA ENERGY MARKETING, INC., a South Carolina corporation ("SEMI" or "Seller").

WITNESSETH:

WHEREAS, SCE&G owns and operates a Gas-fired combined cycle generating facility (together with all related and appurtenant property, equipment and facilities, the "Facility") in Jasper County, South Carolina;

WHEREAS, SCE&G desires to purchase natural gas from SEMI to power its Facility and for other purposes of SCE&G, upon the terms and conditions hereof;

WHEREAS, SEMI has a supply of natural gas available and desires to sell natural gas to SCE&G for such purpose upon the terms and conditions hereof;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, SEMI and SCE&G agree as follows:

ARTICLE I DEFINITIONS

1.1 General. The words, phrases, and terms used herein shall have their ordinary meaning unless the same is hereinafter defined, in which instance such word, phrase, or term shall have the meaning defined below. As used herein, the singular of any term shall include the plural.

1.2 Definitions. The following terms, as used throughout this Agreement, shall have the following meaning:

"Applicable Laws" means all laws, rules, regulations, ordinances, judgments, decrees, injunctions, writs and orders or regulatory determinations by a court, regulatory agency or governmental authority having jurisdiction over SCE&G or SEMI or the transactions contemplated by this Agreement.

"Baseload Price" shall have the meaning set forth in Section 6.1. hereof.

"Baseload" shall mean the minimum quantity of Gas SCE&G desires to take and pay for each day of the subsequent Month up to 120,000 Dth/day, and that SCE&G nominates and SEMI schedules in accordance with Section 4.2.

"Business Day" shall mean a day that is not a Saturday, Sunday, Federal holiday or a day on which commercial banks are required or authorized to close in Columbia, South Carolina.

CONFIDENTIAL

"Contract Price" shall mean the Baseload Price, or the Daily Incremental Volume Price, or the Intra-day Incremental Volume Price.

"Daily Incremental Volume" or "DIV" shall mean the daily quantity of Gas in excess of Baseload that SCE&G desires to take and pay for, and that is nominated and scheduled in accordance with Section 4.2(b) hereof.

"Daily Incremental Volume Price" shall have the meaning set forth in Section 6.2 hereof.

"Day" or "Daily" shall mean a period of twenty-four (24) consecutive hours beginning at 12:01 a.m. Eastern Prevailing Time..

"Dekatherm" shall mean 1,000,000 British thermal units.

"Delivery Term" shall have the meaning set forth in Section 2.1.

"Delivery Point(s)" shall have the meaning set forth in Section 5.1 hereof.

"Effective Date" shall mean the effective date of this Agreement, as set forth above.

"EPT" means Eastern prevailing time.

"Facility" shall mean SCE&G's Gas-fired combined cycle generating plant (together with all related and appurtenant property, equipment and facilities) located in Jasper County, South Carolina.

"Firm Gas" shall mean up to 120,000 Dth per day of firm Gas delivered to the Facility.

"Force Majeure" shall have the meaning set forth in Section 9.3 hereof.

"Gas" shall mean natural gas that meets or exceeds the specifications set forth in Section 5.4 hereof.

"Gas Day" shall mean a period of 24 consecutive hours, beginning and ending at 10:00 a.m., EPT on any calendar day.

"Imbalance Charges" shall mean any scheduling penalties, imbalance penalties, overpull or unauthorized overrun penalties, operational flow order penalties, cash out charges, banking charges or similar penalties, fees or charges assessed by a Transporter for failure to satisfy the Transporter's balancing and/or nomination requirements.

"Intra-day Incremental Volume" or "ITV" shall mean the intra-day quantity of Gas in excess of Baseload and DIV that SCE&G desires to take and pay for, and that is nominated and scheduled in accordance with Section 4.2(b) hereof.

"Intra-day Incremental Volume Price" shall have the meaning set forth in Section 6.3 hereof.

"Initial Delivery Date" shall mean May 1, 2004.

CONFIDENTIAL

"Month" shall mean the period beginning on the first day of each calendar month and ending immediately prior to the commencement of the first day of the next succeeding calendar month.

"NAESB" shall mean the North American Energy Standards Board, or any successor thereto.

"NYMEX" means the New York Mercantile Exchange, or any successor.

"Party" means SCE&G or SEMI, and "Parties" means SCE&G and SEMI, collectively.

"SCG Pipeline" shall mean the natural gas interstate pipeline extending from the outlet flange of the Elba LNG Facility to the interconnection with South Carolina Pipeline Corporation's pipeline facilities in Jasper County, South Carolina.

"Schedule" or "Scheduled" shall refer to the acts of SEMI and SCE&G notifying, requesting and confirming to each other the quantity of Baseload, DIV or IIV to be delivered in any given period hereunder. Quantities of Gas that have been Scheduled are sometimes referred to herein as "Scheduled Gas."

"SONAT" shall mean Southern Natural Gas Company or any successor.

"Taxes" shall have the meaning set forth in Section 4.9 hereof.

"Term" shall have the meaning set forth in Section 2.1 hereof.

"Total Daily Contract Quantity" shall mean the Baseload, plus the Daily Incremental Volume, plus the Intra-Day Incremental Volume, all nominated and Scheduled in accordance with Section 4.2 hereof.

"Transporter" shall mean all interstate gas pipeline companies, which shall include Southern Natural Gas Pipeline, SCG Pipeline, or the physical facilities thereof, transporting Gas for SEMI to the Delivery Point(s) for purchase and receipt by SCE&G hereunder.

ARTICLE II TERM

2.1 Term. This Agreement shall commence on the Effective Date set forth above, and shall continue through a term ending April 30, 2019. However, the obligations to purchase and sell Gas shall not commence until the Initial Delivery Date. The Delivery Term shall commence on the Initial Delivery Date and continue through April 30, 2019.

ARTICLE III RESERVATION FEE FOR FIRM GAS

3.1 Reservation Fee for Firm Gas. At the commencement of the Delivery Term and on the first Business Day of each Month thereafter during the Delivery Term, SCE&G will pay SEMI a

CONFIDENTIAL

REDACTED

monthly reservation fee ("Reservation Fee") per Dth/day :

The Reservation Fee will be increased or decreased during the Delivery Term to reflect any changes to SONAT's or SCG Pipeline's capacity reservation charges, as filed with the FERC, and SCE&G shall be entitled to any refunds related to charges included in Reservation Fees it has paid.

ARTICLE IV PURCHASE AND SALE OF GAS

4.1 Quantities. On each Gas Day on or after the commencement of the Delivery Term, subject to the other terms and conditions of this Agreement, SEMI shall deliver and sell to SCE&G at the Delivery Point(s), and SCE&G shall take and pay for all Gas nominated and Scheduled in accordance with Section 4.2 hereof. During the Term, SCE&G shall purchase all of its requirements for Gas at the Facility from SEMI pursuant to this Agreement, provided however that SCE&G may purchase Gas from other sources when necessary to replace quantities of Gas that SEMI has failed to provide under the terms of this Agreement or when SEMI is unable to make deliveries under Section 6.4.

4.2 Nominations.

(a) **Monthly Nominations.** Before 12:00 noon on the last Business Day prior to the termination of trading of the NYMEX Natural Gas Futures Contract for each Month (pursuant to NYMEX Rule 220.09), SCE&G shall advise SEMI of the quantity of Baseload, up to a maximum of 120,000 Dth/day that SCE&G desires to take and pay for during such Month, and shall designate the Delivery Point(s) for such Gas. If SCE&G fails to notify SEMI of a Baseload quantity for any Month, it will be assumed that the Baseload requirement for such Month is zero (0). Baseload nominations will be confirmed by the execution of a confirmation in the form of Exhibit A, a copy of which is attached hereto and made part of the Agreement.

(b) **Daily and Intra-Day Nominations.** During a Month, SCE&G shall advise SEMI of any Daily Incremental Volumes (DIV) required and shall designate Delivery Point(s) for such Gas. DIV nominations must be given no later than twenty four (24) hours prior to the commencement of the Gas Day to which the DIV nomination will apply. Any DIV nomination will be confirmed by the execution of a confirmation in the form of Exhibit A. SCE&G will advise SEMI of (i) any change in operations or any conditions that would affect quantities of Gas required by SCE&G and (ii) any changes in the quantities of Gas scheduled for delivery to any of the Delivery Points. SCE&G will comply with all applicable and properly communicated Operational Flow Orders. During any Gas Day SCE&G may request Intra-day Incremental Volumes (IIV) of Gas according to current NAESB interstate nomination deadlines. All Intra-day nominations and changes in the Delivery Point(s) are subject to acceptance of the altered Delivery Point(s) by the intrastate and/or the interstate pipeline.

CONFIDENTIAL

(c) Changes in Nomination Conventions. During the Term, if the nomination or scheduling protocols of any Transporter, NAESB, or any pipeline on which SEMI may transport Gas, or the NYMEX rules relating to trading of NYMEX Natural Gas Futures Contracts shall be amended, corresponding changes shall be automatically (and without further action of the Parties hereto) made to the timing of and deadlines for nominations required or permitted to be made pursuant to this Agreement.

4.3 Daily Receipt Variations. If the quantity of Gas received by SCE&G at the Delivery Point(s) on any Gas Day is less than or greater than the Total Daily Contract Quantity, then SCE&G may adjust the Total Daily Contract Quantity scheduled for succeeding Gas Days within the current Month. The Parties understand and agree that such adjustment may be limited by and is subject to: (a) the deadlines, limitations and other terms of monthly and/or daily imbalance provisions contained in SONAT's and SCG Pipeline's tariffs; (b) the nomination and scheduling protocols of SONAT and SCG Pipeline; and (c) FERC regulations.

4.4 Imbalance Charges. Subject to SCE&G meeting the requirements of Section 4.2 above, SEMI shall be responsible for and indemnify SCE&G for any Imbalance Charges relating to the transportation of Gas subject to this Agreement; provided, however, SEMI shall not be responsible for indemnifying SCE&G for Imbalance Charges or penalties that occur as a result of SCE&G improperly taking or not accepting Scheduled Gas after having been properly notified of Operational Flow Orders or in accordance with applicable NAESB interstate nomination rules. Imbalance Charges assessed in situations where it was economically advantageous for SCE&G to elect to cash out rather than purchase DIV (such situations to have been mutually agreed upon by SCE&G and SEMI) will be paid in full by SCE&G. SEMI and SCE&G shall both use commercially reasonable efforts to avoid and/or mitigate any situations that could result in the imposition of Imbalance Charges.

4.5 Transport to Delivery Point(s). SEMI shall have the sole responsibility for transporting the Gas, or ensuring that the Gas is transported, to the Delivery Point(s) on one or more Transporter(s) as determined in SEMI's sole discretion. SCE&G shall have the sole responsibility for transporting the Gas or ensuring that the Gas is transported, from and after the Delivery Point(s).

4.6 Pressure and Flow Rate. During the Term of this Agreement, SEMI shall deliver, or cause to be delivered, the Gas at the Delivery Point(s) at the pressures and flow rates specified in Exhibit B, a copy of which is attached hereto and made part of the Agreement.

4.7 SEMI's Failure to Deliver. If SEMI fails to deliver the Total Daily Contract Quantity, and such failure is not otherwise excused under the terms of this Agreement, SEMI shall reimburse SCE&G for the difference between the purchase price paid by SCE&G for replacement gas or alternative fuels and the full Contract Price determined under this Agreement, plus any penalties as described in Section 4.4.

4.8 SCE&G's Failure to Receive. If SCE&G fails to receive the Total Daily Contract Quantity, and such failure is not otherwise mitigated or excused under the terms of this Agreement, SCE&G shall be liable for and pay SEMI the full Contract Price determined under this

CONFIDENTIAL

Agreement, plus any penalties as described in Section 4.4 less any amounts recovered through makeup, cashout, storage and/or mitigation.

4.9 Taxes. SEMI shall pay or cause to be paid all taxes, fees, levies, Gas compression fees, penalties, licenses or charges imposed by any governmental authority other than taxes based on net income or net worth (collectively, "Taxes") on or with respect to Gas prior to the Delivery Point(s). SCE&G shall pay or cause to be paid all Taxes on or with respect to Gas at or after its delivery at the Delivery Point(s). If any Party is required to remit or pay Taxes which are the other Party's responsibility hereunder, such Party shall promptly reimburse the other Party for such Taxes. Notwithstanding anything to the contrary in the immediately preceding three sentences, if any new, additional, or increased Taxes are assessed or levied upon SEMI or its Transporters or suppliers (to the extent that SEMI bears or is obligated to reimburse such Transporters or suppliers) with respect to the Gas delivered to SCE&G hereunder, SCE&G shall reimburse SEMI promptly upon receipt of invoice for any such new, additional or increased taxes.

ARTICLE V DELIVERY POINT(S); TITLE AND RESPONSIBILITY

5.1 Delivery Point(s). The Delivery Point(s) for Gas delivered under this Agreement shall be (i) the outlet flange of SCG Pipeline's Gas metering station adjacent to the Facility; (ii) the outlet flange of SCG Pipeline's Gas metering station at the interconnection of SCG Pipeline with SCPC's pipeline; and, if SONAT backhaul is available, (iii) the outlet flange of SONAT's Gas metering station at the interconnection of SONAT with SCPC's pipeline at Aiken, South Carolina. At any time and from time to time during the Term of this Agreement, SEMI and SCE&G may approve new Delivery Points in accordance with this Agreement.

5.2 Possession of Gas. As between the Parties to this Agreement, SEMI shall be deemed to be in control and possession of the Gas and responsible for any damage or injury caused thereby until the Gas shall have been delivered to the Delivery Point(s); and SCE&G shall be deemed to be in control and possession of the Gas and responsible for any damage or injury caused thereby after it receives the Gas at the Delivery Point(s).

5.3 Measurement. For purposes of measuring the quantities of Gas under this Agreement, for all purposes including, without limitation, determination of payments due and quantities delivered, the measurement provided by the delivering Transporter's measurement facilities at the respective Delivery Point(s) shall be relied on by SEMI and SCE&G. The unit of quantity measurement for purposes of this Agreement shall be one Dekatherm.

5.4 Quality. All Gas shall meet the quality specifications set forth in the applicable FERC-approved tariffs of those Transporters who are delivering Gas pursuant to this Agreement; provided, however, that all such quality specifications shall meet or exceed the quality specifications of SONAT. The Parties agree that the quality specifications of the Transporters are acceptable for use at the Facility.

CONFIDENTIAL

REDACTED

5.5 Title and Risk of Loss. Title to, possession of, and risk of loss of Gas shall pass from SEMI to SCE&G at the Delivery Point(s).

5.6 Warranty. SEMI warrants that it will deliver to SCE&G at the Delivery Point(s) good title to the Gas delivered hereunder free and clear of all liens, claims and encumbrances arising prior to the Delivery Point(s). ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, ARE DISCLAIMED.

5.7 SEMI'S INDEMNITIES. SEMI AGREES TO PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS SCE&G FROM ALL SUITS, ACTIONS, DEBTS, ACCOUNTS, DAMAGES, COSTS, LOSSES AND EXPENSES ARISING FROM OR OUT OF ADVERSE CLAIMS OF ANY OR ALL PERSONS TO GAS OR TO ROYALTIES, LICENSE FEES, ASSESSMENTS OR CHARGES THEREON WHICH ARISE BEFORE TITLE TO SUCH GAS PASSES TO SCE&G. SEMI SHALL PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS SCE&G FROM AND AGAINST ALL SUITS, ACTIONS, DEBTS, ACCOUNTS, DAMAGES, COSTS, LOSSES AND EXPENSES ARISING OUT OF OR IN ANY WAY RELATING TO SEMI'S OWNERSHIP, POSSESSION OR CONTROL OF THE GAS UP TO THE DELIVERY POINT(S).

5.8 SCE&G'S INDEMNITIES. SCE&G AGREES TO PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS SEMI FROM ALL SUITS, ACTIONS, DEBTS, ACCOUNTS, DAMAGES, COSTS, LOSSES AND EXPENSES ARISING FROM OR OUT OF ADVERSE CLAIMS OF ANY OR ALL PERSONS TO GAS OR TO LICENSE FEES, ASSESSMENTS OR CHARGES THEREON WHICH ARISE AFTER TITLE TO SUCH GAS PASSES TO SCE&G. SCE&G SHALL PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS SEMI FROM AND AGAINST ALL SUITS, ACTIONS, DEBTS, ACCOUNTS, DAMAGES, COSTS, LOSSES AND EXPENSES ARISING OUT OF OR IN ANY WAY RELATING TO SCE&G'S OWNERSHIP, POSSESSION OR CONTROL OF THE GAS AT AND FROM THE DELIVERY POINT(S).

ARTICLE VI PRICE

6.1 Baseload Price. The price per Dekatherm of Gas to be paid by SCE&G to SEMI for the Baseload nominated and scheduled in accordance with Section 4.2 shall be Index price (\$/MMBtu) as published by *Inside F.E.R.C.'s Gas Market Report*, "Market Center Spot-Gas Prices," in its first publication for the applicable Month of delivery plus (herein referred to as the "Baseload Price").

6.2 Daily Incremental Volume Price. The price per Dekatherm of Gas to be paid by SCE&G to SEMI for Daily Incremental Volumes nominated and scheduled in accordance with Section 4.2 shall be, at SCE&G's option (such option to be determined at the time the Gas is nominated and scheduled), either (i) a mutually agreed upon price of gas passed through to SCE&G at SEMI's costs plus or (ii) (\$/MMBtu) as published by *Gas Daily* in its Daily Price Survey, for gas to flow on the day of delivery plus (either referred to as the "Daily Incremental Volume Price").

CONFIDENTIAL

REDACTED

6.3 Intra-Day Incremental Volume Price. The price per Dekatherm of Gas to be paid by SCE&G to SEMI for the Intra-Day Incremental Volume shall be a mutually agreed upon price of gas passed through to SCE&G: (the "Intra-Day Incremental Volume Price").

6.4 Variable Transportation Costs. SCE&G, for the transportation and delivery of up to 120,000 Dth/day of Gas to the Delivery Point(s), will reimburse SEMI by paying per Dth (i)

6.5 Gas Scheduled in Excess of 120,000 Dth/day. If SCE&G requests delivery of more than 120,000 Dth of Gas on any Day, SEMI will use commercially reasonable efforts to acquire such additional volumes as requested by SCE&G. For Gas Scheduled on any Day in excess of 120,000 Dth, SCE&G will pay SEMI a mutually agreed upon price for Gas delivered to the Delivery Points.

6.6 Gas delivered to Aiken. If SCE&G requests delivery of Gas to the interconnection of SONAT and SCPC at Aiken, SC, and SEMI is able to acquire sufficient SONAT backhaul to accommodate SCE&G's request for alternative delivery to that point, SCE&G will reimburse SEMI by paying SEMI SONAT's applicable backhaul rate, including fuel and variables for each Dth delivered to the Aiken delivery point and such payment shall be in addition to the charges set forth in Section 6.4 above, except that SCE&G shall not be charged for any part of the cost set forth in Sections 6.4.(i) or(ii) if such charges are not incurred by SEMI in the transaction.

6.7 Establishing Alternative Index or Publication. If, for any reason, the specific publication or index upon which the Baseload Price and/or the Daily Incremental Volume Price is based ceases being published or is substantially changed so that it does not adequately reflect the market price at the applicable selected location, the Parties shall promptly determine another mutually agreeable publication or index. The substitute publication or index shall be recognized in the industry as a measure of prices paid each Month for the Baseload Price calculation, and each Gas Day for the Daily Incremental Volume Price calculation, at the applicable selected location. Until a substitute publication or index can be agreed on, the Baseload Price and/or the Daily Incremental Volume Price shall be computed based on actual cost.

ARTICLE VII GAS COST MITIGATION

7.1 Nominated Gas Cost Mitigation. If SCE&G nominates Baseload, DIV or IIV that is subsequently not needed and which, in the case of Baseload or DIV, has not been adjusted through IIV nominations, SEMI will, at SCE&G's request, use commercially reasonable efforts to sell the excess volumes. For any Baseload, DIV or IIV sold,

CONFIDENTIAL

REDACTED

7.2 Firm Gas Reservation Fee Mitigation. If SCE&G determines that it will not require all or part of the Firm Gas for any Day or Days, SEMI will, at SCE&G's request, use commercially reasonable efforts to employ for other purposes the assets intended to be used to deliver the Firm Gas no longer required that Day or Days by SCE&G. For any such alternative use as contemplated by this Section 7.2, including use in conjunction with the sale of Gas that was nominated but is no longer needed as contemplated in Section 7.1,

7.3 Price Mitigation Hold Harmless. Should SEMI sell Baseload, DIV and/or IIV pursuant to Section 7.1, or mitigate the Firm Gas Reservation Fee pursuant to Section 7.2, SCE&G shall hold SEMI harmless from any liability for failure to meet SEMI's obligations under Section 4.1 and from any liability for price differentials that may occur as a result of acquiring replacement Gas or capacity.

ARTICLE VIII INVOICES AND PAYMENTS

8.1 Invoices. SEMI shall invoice SCE&G on or before the tenth (10th) day of the Month for Gas nominated during the preceding Month. Subject to the provisions of Section 8.2 below, SCE&G shall pay SEMI for the total amounts billed on or before the later of ten (10) days following the receipt of SEMI's invoice or the 20th day of the Month. Adjustments to actual quantities delivered shall be made on the first following month's invoice, or as soon thereafter as information is available.

8.2 Correction of Billing Errors. In the event SCE&G determines that there is an error in the amount billed in any statement rendered by SEMI, the error shall be adjusted within thirty (30) days of a final determination of whether an error has occurred; provided, however, any claim therefor shall have been made within sixty (60) days from the day the error was detected. If the error resulted in an overcharge or undercharge and the bill has been paid, SEMI shall refund the amount of the overcharge or SCE&G shall pay the amount of the undercharge. No interest shall be applicable to any undercharge or overcharge settled in accordance with this Section 8.2.

8.3 Records. SEMI shall keep such records as may be needed to afford a clear history of the purchases and sales hereunder.

8.4 Payment on Business Days. If any payment under the Agreement is required to be made on a day other than a Business Day, the date of payment shall be extended to the next Business Day.

8.5 Netting of Payments. SCE&G and SEMI hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date through netting, in which case all amounts owed by a Party to the other under this Agreement shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it.

ARTICLE IX FORCE MAJEURE

9.1 Excused Performance. Except with regard to a Party's obligation to make payments due under the Agreement with respect to performance rendered, a Party (Claiming Party) shall not be liable to the other for a failure to perform in whole or in part its obligations hereunder, if such performance was prevented by Force Majeure.

9.2 Notice of Event. A Claiming Party whose performance is prevented by Force Majeure must promptly provide notice to the other Party. Initial notice may be given orally; however, written notification with particulars of the event or occurrence is required as soon as reasonably possible. The Claiming Party shall be relieved of its performance obligation to the extent and for the duration of Force Majeure and such Claiming Party shall not be deemed to have failed in the performance of its obligations to the other during such occurrence or event.

9.3 Definitions. Force Majeure shall mean the following events or occurrences not reasonably within the control of the Claiming Party:

(a) acts of God such as landslides, lightning, earthquakes, hurricanes, tornadoes, storms or storm warnings which result in evacuation, floods, washouts, or other weather related events, e.g. freezing temperatures causing failure of wells or lines of pipe;

(b) physical events such as explosions, fires, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe;

(c) acts of others such as terrorist action or threats thereof, strikes, riots, sabotage, insurrections, nationalization or wars;

(d) governmental actions or the necessity for compliance with any court order, law, statute, ordinance, or regulation promulgated by a governmental authority having jurisdiction; and

(e) any other causes, whether of the kind herein enumerated or otherwise, not reasonably within the control of the Claiming Party.

Notwithstanding anything to the contrary herein, the Parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be entirely within the sole discretion of the Party experiencing such disturbance.

9.4 Exclusions. The term Force Majeure as used herein specifically excludes the following occurrences or events:

(a) the loss, interruption, or curtailment of interruptible transportation on any Transporter necessary to make or accept delivery of Gas hereunder, unless and to the extent the same event also curtails primary, in-path, and firm transportation at the same point;

CONFIDENTIAL

REDACTED

(b) the loss of markets or supplies (or changes in the prevailing prices therein or thereof) or either Party's inability to economically use or resell Gas purchased under this Agreement;

(c) non-performance caused by the negligence or willful misconduct of the Claiming Party;

(d) non-performance caused by the failure of the Claiming Party to remedy, mitigate or avoid the condition using commercially reasonable efforts;

(e) non-performance constituting Force Majeure was intentionally initiated or intentionally acquiesced in by the Claiming Party;

(f) any other cause, whether of the kind enumerated or otherwise, reasonably within the control of the Claiming Party.

9.5 Force Majeure Limitation. It is understood and agreed by SCE&G and SEMI that none of the terms contained in Sections 9.3 or 9.4 are intended to create broader definitions of Force Majeure than those contained in the gas supply and transportation contracts of SEMI's upstream transporters and suppliers; however, if SEMI's upstream transporters and suppliers claim Force Majeure pursuant to those contracts, such Force Majeure shall constitute Force Majeure pursuant to this Agreement; provided that SEMI may not claim Force Majeure except to the extent that such events constitute Force Majeure under those contracts and under this Agreement.

ARTICLE X NOTICES

10.1 Notices. All communications, invoices, notices or demands under the Agreement shall be provided in writing and shall be deemed delivered when addressed to the Party to whom directed at the applicable address below, and (a) deposited in the United States mails, postage prepaid, by first class or certified mail, (b) sent by telecopier or a nationally recognized overnight courier service or (c) hand delivered, unless the Parties otherwise mutually agree in writing.

CONFIDENTIAL

SEMI:

SCANA Energy Marketing, Inc.
Post Office Box 12427
Columbia, South Carolina 29211-2427
Attn: Robert Edwards
Telephone: (803) 217-1322
Telecopy: (803) 217-1347

SCE&G:

South Carolina Electric & Gas Company
1426 Main Street
Columbia, South Carolina 29201
Attn: Jim Landreth
Telephone: (803) 217-7224

Telecopy: (803) 217-9568

Notices sent by telecopy shall be deemed to have been received upon the sending Party's receipt of its telecopier's confirmation thereof. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving Party. Notice delivered by hand shall be deemed to be received at the time it is delivered to an officer or responsible employee of the receiving Party. Notice via first class or certified mail shall be considered delivered two Business Days after the day it is posted. Either Party may modify any information above by written notice to the other.

ARTICLE XI MISCELLANEOUS

11.1 Regulatory Authorization. Each Party shall obtain and maintain any and all necessary regulatory authorizations to effect the purchase or sale of the Gas delivered hereunder. In the event that changes in Applicable Laws materially alter or interfere with either Party's ability to perform, as contemplated by that Party, or materially alter any term or condition of this Agreement, this Agreement shall be subject to renegotiation, or termination by such Party if the Parties fail to reach agreement within 60 days of any renegotiation notice given pursuant to the terms of this Section, with such renegotiation or termination to be effective on the day immediately prior to the effective date of any such changes. The Agreement shall be subject to Applicable Laws. A Party will not be held in default for failure to perform its obligations under the Agreement if such failure is due to compliance with Applicable Laws.

11.2 Assignments. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the respective Parties. No assignment of this Agreement, in whole or in part, will be made without the prior written consent of the non-assigning Party, and no assignment will effect a release of the assigning Party; provided, however, that this

CONFIDENTIAL

Agreement may be assigned without the prior consent of the other Party (a) by SCE&G in connection with any financing pertaining to the Facility; or (b) by either Party to any affiliate or to any person into which a Party is merged or consolidated or which shall succeed by purchase to the properties, substantially as an entirety, of a Party, so long as the assignee (or successor in interest) shall be bound hereby.

11.3 Severability. If any provision of this Agreement is determined to be invalid, void or unenforceable by any court having competent jurisdiction, such determination shall not invalidate, void or make unenforceable any other provision, agreement or covenant of this Agreement, which shall remain in full force and effect.

11.4 No Waiver. No waiver of any breach or default, or delay or omission in enforcement of any right, under this Agreement shall be held to be a waiver of any subsequent breach or default of the same or other terms, provisions or covenants hereunder.

11.5 Complete Agreement; Amendment. This Agreement sets forth all understandings between the Parties with respect to the subject matter hereof, and any prior contracts, understandings and representations, whether written or oral, with respect to such subject matter are merged into and superseded by this Agreement. No alteration, amendment or modification to this Agreement will be effective unless mutually agreed in writing by the Parties.

11.6 Choice of Law. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of South Carolina.

11.7 NO CONSEQUENTIAL DAMAGES. NO PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF USE OR LOSS OF ANTICIPATED PROFITS OR REVENUES OR OTHER BUSINESS INTERRUPTION DAMAGES, WHETHER BY STATUTE, IN CONTRACT, TORT (INCLUDING NEGLIGENCE), UNDER ANY INDEMNITY PROVISION, WARRANTY, STRICT LIABILITY, OR ANY OTHER LEGAL THEORY, AND EACH PARTY HEREBY RELEASES THE OTHER AND ITS AFFILIATES AND AGENTS FROM ANY SUCH LIABILITY.

11.8 Confidentiality. Neither Party shall disclose the terms of this Agreement, including but not limited to the Contract Price and all other material terms thereof, to a third party (other than to the Party's employees, affiliates, lenders, counsel, accountants, auditors or advisors who have a need to know such information and are bound to keep such terms confidential) except when the disclosure is (i) required by law or regulations; (ii) required to be disclosed in connection with the prosecution or defense of any litigation or regulatory proceedings; (iii) confined to information that is already in the public domain; or (iv) otherwise agreed in writing to be disclosed; provided, however, that each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure and afford the non-disclosing Party the opportunity to object to such disclosure.

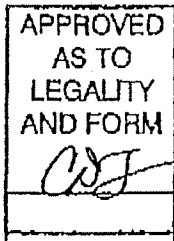
CONFIDENTIAL

11.9 No Third Party Beneficiaries. The Agreement is intended to be solely for the benefit of the Parties and their respective successors and permitted assigns and is not intended to and shall not confer any rights or benefits on any third party not a signatory hereto.

11.10 Captions. The Article and Section headings herein have been inserted for convenience of reference only and shall not in any manner affect the construction, meaning or effect of anything herein contained nor govern the rights and liabilities of the Parties hereto.

11.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties, intending to be legally bound, have caused this Agreement to be executed by their duly authorized officers as of the date indicated on the day and year first above written.



SOUTH CAROLINA ELECTRIC & GAS
COMPANY

By: *Neville O. Lorick*
Name: Neville O. Lorick
Title: President and Chief Operating Officer

SCANA ENERGY MARKETING, INC.

By: *Robert G. Edwards*
Name: Robert G. Edwards
Title: Vice President

CONFIDENTIAL

EXHIBIT A

DIV NOMINATION CONFIRMATION



Date: 99/99/99

Sales Confirmation

Attn: Mr. John Doe
Fax: (999) 999-9999
SCE&G
123 Anywhere St.
Small Town, USA 99999

This letter (confirmation # xx) confirms the sale and purchase of Natural Gas negotiated between XYZ Manufacturing, Inc.(Buyer) and SCANA ENERGY MARKETING, INC. (Seller) subject to the terms and conditions of SCANA ENERGY MARKETING, INC. contract GC000000.

QUANTITY PER DAY	PIPELINE(S)	DELIVERY POINT(S)	TERM
0000 MMBTU	ONLY NATURAL GAS PIPELINE CO.	SOMEWHERE	00/00/00 to 99/99/99
TOTAL 0000			

Price:

Receipt/Delivery

Obligation: INTERRUPTIBLE

Gas Control Contact:

(803) 217-1300

Remarks:

Please sign and return by facsimile (803) 217-1329

CONFIDENTIAL

If the above information does not agree with your understanding, please contact me at (803) 217-1300. Your failure to notify SCANA ENERGY MARKETING, INC. immediately of any contrary understanding shall constitute your acceptance of the transaction as described above.

Seller: SCANA ENERGY MARKETING, INC.
by Somebody

Buyer: SCE&G

SCANA Energy Marketing, Inc. /Post Office Box 23606/ Columbia, South Carolina 29224
803-217-1300 / FAX 803-217-1329

CONFIDENTIAL

EXHIBIT B

PRESSURE AND FLOW RATE SPECIFICATIONS

Delivery Point	Pressure (PSIG)		Flow Rate (Dth per Hour)	
	Minimum	Maximum	Minimum	Maximum
Jasper Facility	500	550	0	7000
SCG/SCPC Interconnection	800	1050	0	7200
*Combined	N/A	N/A	0	7200

* The maximum flow rate for the SCG/SCPC Interconnection Delivery Point and the Combined Delivery Points may exceed 7,200 Dth per hour provided there is adequate pipeline capacity available.

CONFIDENTIAL